

SPOKANE REGIONAL HEALTH DISTRICT
Spokane County, Washington
January 1, 1995 Through December 31, 1995

Schedule Of Findings

1. Controls Should Be Improved Over Accounts Receivable In Patient Accounts

During our review of patient accounts receivable internal control system, which collected in excess of \$500,000 during 1995, we noted the following weaknesses:

- a. The same staff creates the accounts receivable, opens mail, posts accounts receivable, and receipts funds. These functions are incompatible to good control, as they place the asset and the accounting for the asset with the same individual.
- b. Patient accounts is not maintaining a control account. The control account ensures that all amounts billed and received are properly posted and accounted for.
- c. The patient accounts receivable system does not restrict the receipt date to the current date. The system allows users to post amounts received as of any date in the past or future.
- d. A cash register receipt is not given to clients when payments are made.
- e. There is no review of the prenumbered service records entered into the system to ensure they are all properly accounted for.

The district has not implemented strong controls over patient accounts receivable. Additionally changes were made by the software developer that did not fully consider the impact to the district's internal control system.

A strong system of internal controls will decrease the risk that public funds will be misused or misappropriated.

We recommend the district establish policies and procedures over the patient accounts receivable internal control system. These should include but not be limited to the following:

- a. Segregate the duties so the control of the cash and the accountability for the cash are not performed by the same individual.
- b. Maintain and review the control account utilizing someone independent of the cash receipting and accounts receivable posting.
- c. Develop controls to the patient accounts receivable system which restricts posting

of payments to the actual date data is entered.

- d. Issue cash register receipts to all clients for payments received at the time of service.
- e. Monitor the numerical sequence of service records to ensure receivables are properly entered.

2. Internal Controls Over Cash Receipting Should Be Improved In The Vital Statistics Unit

During our review of the cash collection procedures in the vital statistics unit, which collected in excess of \$295,000 during 1995, we noted the following weaknesses:

- a. Checks are not restrictively endorsed upon receipt.
- b. Checks received through the mail are not receipted into the cash register when received. The checks are held until the associated transaction is processed which could take several days.
- c. There is no comparison of the number of seals imprinted on certificates to certificates issued or revenues collected. The unit does not use the internal counter on the imprint machine for the reconciling process. Without these controls, the unit is unable to ensure that all receipts collected were deposited for the public's benefit.
- d. Security paper, the paper that death certificates and birth certificates are issued upon, is not inventoried nor is waste paper kept or tracked. The unit is unable to determine if all of the money collected from sale of these documents was properly deposited in the bank for the public's benefit.
- e. The same staff open the mail, complete the request and enter the transaction into the cash register. This represents incompatible functions, as the same person has complete control of the transaction.
- f. Cash receipts are not deposited timely as required.

RCW 43.09.240 states in part:

Every public officer and employee, whose duty it is to collect or receive payments due or for the use of the public shall deposit such moneys collected or received by him or her with the treasurer of the local government once every twenty-four consecutive hours.

These conditions exist because the district has not implemented a strong system of internal controls to decrease the risk that public funds will be misappropriated.

We recommend the district establish policies and procedures to strengthen the internal control system over cash receipting. These should include but not be limited to the following:

- a. Restrictively endorse checks upon receipt.
- b. Receipt all funds into the cash register when received and issue receipts to persons on site.
- c. Utilize the counter, on the machine used to imprint the seals on official documents, for reconciling sales to money collected.
- d. Secure and inventory the security paper, including keeping track of waste paper, and reconcile usage to money collected.
- e. Separate job responsibilities so that the same person is not responsible for all

aspects of the transaction.

- f. Deposit receipts timely as required.